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R 121203Z JAN 07
FM AMEMBASSY SANTIAGO
TO RUEHC/SECSTATE WASHDC 0695
INFO RUEHPE/AMEMBASSY LIMA 4879
RUEHQT/AMEMBASSY QUITO 1637
RUEHBO/AMEMBASSY BOGOTA 1614

UNCLAS SANTIAGO 000055

SIPDIS

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STATE FOR IIP/G/WHA, INR/R/MR, WHA/BSC, WHA/PDA, INR/IAA

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TAGS: [OPRC](#) [KMDR](#) [KPAO](#) [KIPR](#) [ECON](#) [PGOV](#) [PREL](#) [VE](#) [CI](#)

SUBJECT: MEDIA REACTION - CHILE AND THE PRIORITY WATCH LIST

¶1. Summary: Adding Chile to the "Priority Watch List" on January 8 for its deteriorating protection of intellectual property received widespread media coverage. The GOC expressed disappointment and frustration with Chile's placement on the list, claiming that Chile has gone to great lengths to implement their IPR commitments under the bilateral Free Trade Agreement. The local pharmaceutical industry called the USTR action "unilateral," noting that there are no formal complaints in the judiciary over the marketing of drugs. AmCham and the U.S.-affiliated pharmaceutical association (CIF) expressed grave concern over the announcement, stating that it affects Chile's prestige. End Summary.

¶2. On January 10, in remarks to conservative, influential newspaper-of-record "El Mercurio" (circ. 129,000), Minister of Economy Alejandro Ferreiro voiced the GOC's displeasure: "The (U.S.) decision is disappointing because the Government has carried out clear efforts that we believe are convincing and, in our judgment, are sufficient to fully comply with what was required of us in the Free Trade Agreement (FTA) with the United States.... We will continue our contacts with U.S. officials, demonstrating that we are doing what is necessary, consistent, and what the FTA, in our judgment, requires.... There is a certain frustration because we do not believe that it (the USTR's decision) is consistent with what we have done...."

¶3. The Director of the Foreign Ministry's International Economic Relations General Directorate (DIRECON), Carlos Furche, minimized the damage of such a classification. He claimed that any sanctions would be a violation of the FTA without going through the dispute resolution process first. Furche doubted that there would be any commercial impact or a negative affect on Chile's image as a result of USTR's announcement. In "El Mercurio" on January 11 Fuche stated: "There is a difference of interpretation with the United States over the commitments assumed by our country regarding intellectual property...."

¶4. The recording industry ("Federacion Internacional de la Industria Fonografica") estimated its members lost \$220 million to piracy in the past year. It stated that the GOC lacks the political will to stop piracy. Critical of USTR, the local pharmaceutical industry called the U.S. action "unilateral." The AmCham and the U.S.-affiliated pharmaceutical association (CIF) expressed grave concern over USTR's announcement, stating that it affects Chile's.

¶5. On January 11, conservative, independent Santiago daily "La Tercera" (circ. 101,000) carried an editorial column entitled "Intellectual and Industrial Property: Pending Obligations:"

¶6. "On few occasions had such a measure (Priority Watch List) been preceded by so many signs.... Therefore all of the responsibility for not implementing the necessary corrections on time falls on the Chilean State.... For Chile the consequences are ill-fated. Not only does the country's international reputation suffer, but it discourages foreign and domestic research and development in areas

that are critical to the creation of wealth that does not depend uniquely on the selling of commodities. If forceful legislative, executive, and administrative actions are not adopted, the latest USTR measure might not be the last, or even the most serious, affecting Chile on this matter."

KELLY